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SENATE COMMITTEE REPORT

FURTHER:

4/22/87

DATE TURNED INTO OFFICE 5/5/87

Mr. President:

FINANCE Committee considered SB 182

state oil and gas lease sales.

and recommended:

replace with CS FOR \_\_\_\_\_ )  same title  
 or adopt \_\_\_\_\_ CS FOR SB 182 (Yes) )  new title

attached amendment(s) and

do pass

do not pass

no recommendation

individual recommendations

further referral to \_\_\_\_\_

letter of intent adopted \_\_\_\_\_

Committee  attached or  adopted fiscal note(s)

new  updated or  previous  
 zero  fiscal impact

MEMBERS SIGNING DO PASS

OTHER RECOMMENDATIONS

*[Handwritten signatures: Don Dube, Willie Kuyala, Rick Leh]*

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

*[Handwritten signature: Don Dube]* DO PASS  
Chairman signature and recommendation

Committee Backup Attached

A/B

STATE OF ALASKA 1987 LEGISLATIVE SESSION  
FISCAL NOTE

REQUEST: \_\_\_\_\_

Bill Version: SSSB 1820 + H  
Publish Date: 3-25-87

Revision Date: March 23, 1987

Agency Affected: Natural Resources  
BRJ: Petroleum Management

Title: State Oil and Gas Lease Sales

Sponsor: Senate Oil & Gas Special Committee  
Requester: Senate Oil & Gas Committee

Components: \_\_\_\_\_

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 87	FY 88	FY 89	FY 90	FY 91	FY 92
PERSONAL SERVICES						
TRAVEL	**	**	**	**	**	**
CONTRACTUAL	**	**	**	**	**	**
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	-0-	-0-	-0-	-0-	-0-	-0-

CAPITAL	-0-	-0-	-0-	-0-	-0-	-0-
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REVENUE	*	*	*	*	*	*
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FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
TOTAL	-0-	-0-	-0-	-0-	-0-	-0-

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS :

- \* Earlier offering of exempt acreage sales resulting from this bill will result in earlier receipt of bonus and rental payments and, in the event of a discovery, earlier receipt of royalties and taxes.
- \*\* Some savings in contractual and travel costs related to public meetings could occur, depending on the location of the exempt sale and the public's interest.

Prepared by: Carol Wilson Phone: 465-2400  
Division: Commissioner's Office Date: 3/23/87

Approved by Commissioner: Judith M. Brown Date: 3/24/87  
Agency: Natural Resources

- Distribution (by preparer):
- Legislative Finance
  - Legislative Sponsor
  - Requestor
  - Office of Management and Budget
  - Impacted Agency(ies)
  - Senate Secretary

Original sponsor: The Senate Special Committee  
on Oil and Gas

1 IN THE SENATE BY THE RESOURCES COMMITTEE  
2 CS FOR SENATE BILL NO. 182 (Resources)  
3 IN THE LEGISLATURE OF THE STATE OF ALASKA  
4 FIFTEENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the written findings required for  
7 certain state oil and gas lease sales."

8 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

9 \* Section 1. AS 38.05.035(e) is amended to read:

10 (e) Upon a written finding that the interests of the state will  
11 be best served, the director may, with the consent of the commis-  
12 sioner, approve contracts for the sale, lease, or other disposal of  
13 available land, resources, property or interests in them, and, in  
14 addition to the conditions and limitations imposed by law, may impose  
15 additional conditions or limitations in the contracts as the director  
16 determines, with the consent of the commissioner, will best serve the  
17 interests of the state. A contract for the sale, lease, or other  
18 disposal of available land or an interest in land is not legally  
19 binding on the state until the commissioner approves the contract but  
20 if the appraised value is not greater than \$50,000 in the case of the  
21 sale of land or an interest in land, or \$5,000 in the case of the  
22 annual rental of land or interest in land, the director may execute  
23 the contract without the approval of the commissioner. Before a  
24 public hearing, if held, or in any case no less than 21 days before  
25 the sale, lease, or other disposal of available land, property, re-  
26 sources, or interests in them, the director shall make available to  
27 the public a written finding that sets out the facts and applicable  
28 law upon which the determination that the sale, lease, or other dis-  
29 posal will best serve the interests of the state was based. A written

1 finding is not required before the approval of  
2 (1) a contract for a negotiated sale authorized under  
3 AS 38.05.115;  
4 (2) a lease of land for a shore fishery site under AS 38.-  
5 05.082;  
6 (3) a permit or other authorization revocable by the com-  
7 missioner;  
8 (4) a mineral claim located under AS 38.05.195;  
9 (5) a mineral lease issued under AS 38.05.205; [OR]  
10 (6) a production license issued under AS 38.05.207; or  
11 (7) an oil or gas lease sale under AS 38.05.180(d), if  
12 within 36 months before the lease sale a written finding under this  
13 subsection has been made for the area of the proposed lease sale or  
14 for an area that is contiguous with or adjacent to the area of the  
15 proposed lease sale.



# ALASKA STATE LEGISLATURE

## SENATE SPECIAL COMMITTEE ON OIL AND GAS

Senator Bettye Fahrenkamp  
Chairman  
Senator Jack Coghill  
Senator Paul Fischer

P.O. Box V, State Capitol  
Juneau, Alaska 99811  
(907) 465-3834

### M E M O R A N D U M

TO: Senator John Binkley, Co-Chairman  
Senate Finance Committee

FROM: Senator Bettye Fahrenkamp, <sup>BF</sup>Chairman  
Senate Special Committee on Oil and Gas

RE: Committee Hearing on SB 182

DATE: April 30, 1987

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I would appreciate your scheduling SB 182, An Act relating to the written findings required for certain state oil and gas lease sales, for a hearing before the Senate Finance Committee.

Current statute requires that all proposed state oil and gas lease sales be included in a yearly five year leasing program submitted to the legislature. However, under certain circumstances, sales that are not included in the five year plan, or "exempt sales", may be held. Exempt sales usually include previously offered leases, areas adjacent to those leases, or areas in which industry has shown high interest. Current statute requires that a written best interest finding be made for most exempt sales.

SB 182 would waive the best interest finding requirement for exempt sales if a previous finding has been made for that area within the preceding three years. This change may enable the department to add new areas to the leasing schedule with reduced administrative costs and delay.

Original sponsor: The Senate Special Committee  
on Oil and Gas

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# MEMORANDUM

DEPARTMENT OF NATURAL RESOURCES

# State of Alaska

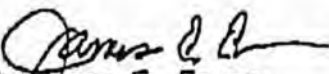
DIVISION OF OIL AND GAS

TO: Carol Wilson, Special Assistant  
to the Commissioner

DATE: February 3, 1987

FILE NO:

TELEPHONE NO: 762-4241

FROM:   
James E. Eason  
Director

SUBJECT: Proposals to Streamline  
Exempt Lease Sale Process

While I was in Juneau the week of January 26-30, I was asked by both Senator Bettye Fahrenkamp and Senator Jack Coghill for recommendations on how to promote early exploration of the state's lands; specifically, how to streamline the procedures for exempt oil and gas lease sales. On January 30, Ned Farquhar called me on behalf of Representative Sam Cotten and said that Rep. Cotten might be interested in possible changes to Title 38 that would make it easier to hold exempt acreage sales.

At present, exempt acreage sales must follow all of the procedural "hoops" required of scheduled sales. One way to streamline the process would be to apply previous best interest findings under AS 38.05.035 to the exempt sale area. This would greatly reduce administrative costs and delay. I am sending you a suggested change to AS 38.05.035 that would enable the state to hold exempt sales without having to write preliminary or final .035 best interest findings if the leases offered are in, contiguous with or adjacent to an area for which a written .035 finding has been prepared during the preceding 36 months. I would appreciate your discussing this proposal with the Commissioner, and if it meets with her approval, transmitting it on my behalf to Senators Fahrenkamp and Coghill and Representative Cotten.

AS 38.05.035(e). Amend by adding a new section (7), as follows: "(7) an exempt oil and gas lease sale under AS 38.05.180(d) for which a written finding has been issued, within a period of 36 months before the date of the sale, for the area of the proposed sale, or for contiguous or adjacent areas."

cc: Mark Worcester  
Pam Rogers

0737R

DELIVER TO: <u>Carol Wilson</u>	LOCATION: <u>Juneau</u>
FROM: <u>Jim Eason</u>	LOCATION: <u>Oil &amp; Gas</u>
TELEPHONE/TELECOPIER # <u>586-2754</u>	TOTAL NUMBER OF PAGES _____
TRANSMITTING ON/SPEED _____	DATE: <u>2/3/87</u> TIME: <u>4:00</u>
PHONE FOR PROBLEMS-NAME/NUMBER _____	<u>762-4244</u>
COMMENTS _____	

Neil  
SR  
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Comments of  
D. M. Smith  
Exxon Company, U.S.A.  
Senate Special Committee on Oil and Gas  
SB-182  
March 24, 1987

Good Afternoon. My name is Dan Smith and I am a Senior Government Affairs Representative with Exxon Company, U.S.A. I appear before you today to offer Exxon's support for Senate Bill 182.

Current law requires that land not included on the states five year lease program for two years can only be offered for leasing under specific conditions. Most of those conditions require that the Department of Natural Resources must, after a hearing, make a written finding in order to lease the lands in question. Such lands include land contiguous to already leased properties, land adjacent to land owned or controlled by another party on which discoveries of commercial quantities have been made, or land adjacent to land included in the Federal OCS leasing program.

By streamlining the pre-leasing requirements to use existing findings for these well studied areas, this bill would simultaneously help the state avoid unnecessary costs and facilitate leasing in known areas of interest. In supporting this bill, we would hope that this accelerated timing would not be so rapid as to deprive potential bidders of time to adequately prepare to participate in a lease sale.

We appreciate the opportunity to comment.

JDH/4284:dag  
3/23/87

§ 38.05.035

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§ 38.05.035

PUBLIC LANDS

§ 38.05.035

(5) when the director determines it is in the best interest of the state and will avoid injustice to a person or the heirs or devisees of a person, dispose of land, by direct negotiation to that person who presently uses and who used and made improvements to that land before January 3, 1959 or to the heirs or devisees of the person; the amount paid for the land shall be its fair market value on the date that the person first entered the land, as determined by the director; a parcel of land disposed of under this paragraph shall be of a size consistent with the person's prior use, but may not exceed five acres;

(6) dispose of an interest in land limited to use for agricultural purposes by lottery;

(7) convey to an adjoining landowner for its fair market value a remnant of land that the director considers unmanageable or a parcel of land created by a highway right-of-way alignment or realignment, or a parcel created by the vacation of a state-owned right-of-way if

(A) the director determines that it is in the best interests of the state;

(B) the parcel does not exceed the minimum lot size under an applicable zoning code; and

(C) the director and the platting authority having land use planning jurisdiction agree that conveyance of the parcel to the adjoining landowner will result in boundaries that are convenient for the use of the land by the landowner and compatible with municipal land use plans;

(8) for good cause extend for up to 90 days the time for rental or installment payments by a lessee or purchaser of state land under this chapter if reasonable penalties and interest set by the director are paid;

(9) quitclaim land or an interest in land to the federal government on a determination that the land or the interest in land was wrongfully or erroneously conveyed by the federal government to the state.

(c) A parcel of land may be conveyed under (b) of this section without classification or reclassification under AS 38.05.300.

(d) A parcel of land described in (b) (7) of this section must be sold at its fair market value as determined by the director on the basis of an appraisal completed as provided in AS 38.05.840. Nothing in this subsection prevents the sale of land under AS 38.05.055 or 38.05.057 to a person not qualifying as an adjoining landowner if the adjoining landowner declines to purchase the land.

(e) Upon a written finding that the interests of the state will be best served, the director may, with the consent of the commissioner, approve contracts for the sale, lease, or other disposal of available land, resources, property or interests in them, and, in addition to the conditions and limitations imposed by law, may impose additional conditions or limitations in the contracts as the director determines, with the consent of the commissioner, will best serve the interests of the state. A contract for the sale, lease, or other disposal of available land or an interest in land is not legally binding on the state until the

commissioner approves the contract but if the appraised value is not greater than \$50,000 in the case of the sale of land or an interest in land, or \$5,000 in the case of the annual rental of land or interest in land, the director may execute the contract without the approval of the commissioner. Before a public hearing, if held, or in any case no less than 21 days before the sale, lease, or other disposal of available land, property, resources, or interests in them, the director shall make available to the public a written finding that sets out the facts and applicable law upon which the determination that the sale, lease, or other disposal will best serve the interests of the state was based. A written finding is not required before the approval of

- (1) a contract for a negotiated sale authorized under AS 38.05.115;
- (2) a lease of land for a shore fishery site under AS 38.05.082;
- (3) a permit or other authorization revocable by the commissioner;
- (4) a mineral claim located under AS 38.05.195;
- (5) a mineral lease issued under AS 38.05.205; or
- (6) a production license issued under AS 38.05.207.

(f) The director shall grant a preference right to the purchase or lease without competitive bid of up to five acres of state land to an individual who has erected a building on the land and used the land for bona fide business purposes for five or more years under a federal permit or without the need for a permit and, after selection by the state, under a state use permit or lease, if the business produced no less than 25 percent of the total income of the applicant for the five years preceding the application to purchase or lease the land. The director shall sell or lease the land at a price determined by the director to represent the current fair market value of the unimproved land but in no event less than the cost of administration including survey if required. If the director determines in a written finding that the purchase or lease of the land would interfere with public use by residents of the area, the director may condition the purchase or lease to mitigate the adverse effects on the public use or may reject the application for the preference right. A lease granted under this subsection may not be for a period in excess of 50 years. In this subsection, "business purposes" means a purpose permitted under the classification of the land at the time the land was entered. (§ 5 art II ch 169 SLA 1959; am § 1 ch 57 SLA 1960; am §§ 2 — 4 ch 61 SLA 1960; am § 1 ch 55 SLA 1962; am § 1 ch 56 SLA 1964; am § 1 ch 98 SLA 1964; am § 1 ch 5 SLA 1965; am § 1 ch 58 SLA 1965; am § 1 ch 194 SLA 1968; am § 1 ch 164 SLA 1972; am §§ 2, 3 ch 257 SLA 1976; am §§ 1, 2 ch 176 SLA 1978; am § 15 ch 181 SLA 1978; am § 20 ch 182 SLA 1978; am § 1 ch 61 SLA 1980; am §§ 9 — 13 ch 113 SLA 1981; am §§ 19, 20, 88 ch 152 SLA 1984)

Revisor's notes. — In 1981, in subsection (b) (7), the word "convey" was substituted for "dispose" at the beginning of the

paragraph and in subsection (d), the words "of land" were added following "parcel" under AS 01.05.031.

Effect of amendment a AS 38.05.036' graph (a)(9)(L The 1981 "S50,000" for case of the "S5,000" for case of the an: tuted semicol "the written "before a publi finding is not r of" following added subpar: subsection (a) amendment ac date of origina price was not sc "a price deterr: subsection (b) tuted "on the entered the la: preceding "as d: The amendmen: and (8) of subse: tions (c) and (d The 1984 am paragraph (14) subsection (e) to (14) of subsection (f). The 1984 a. graph (2) of subs guage into int: subparagraph ( future" follow: introductory lan: end of subparag: paragraph (B); ir.

The leasing governed by re by the commissio Natural Resour: 38.05.020(b)(1), a: tor of the Divisio subsection (a)(3) c Kelly, Sup. Ct. : 1416, 1418, 499 : Construction c reserving right : — Provision in a l of Alaska, Divisi: reserving the rig: or right-of-way ac: was construed to transfer of a right: ment of Transp: Facilities. Wessei Hwy., Sup. Ct. C 2534, 562 P.2d 10

§ 38.05.175

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VIII ch 169 SLA

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§ 38.05.180

PUBLIC LANDS

§ 38.05.180

per cent of the quantity or gross value of the output of potassium compounds and other related products, except sodium. at the point of shipment to market. The commissioner may lease land known to contain valuable deposits of potassium compounds that is not covered by permits or leases through advertisement, competitive bidding, or other methods prescribed by regulation. The area covered by the lease may not exceed 2,560 acres.

(b) Each lease shall be conditioned upon payment by the lessee of a royalty of not less than two per cent of the quantity or gross value of the output of potassium compounds and other related products, except sodium, at the point of shipment to market, and the payment in advance of a rental of 25 cents an acre for the first calendar year or fraction of it, 50 cents an acre for the second calendar year, third calendar year, fourth calendar year, and fifth calendar year, and \$1 an acre a year thereafter during the continuance of the lease. The rental for any one year shall be credited against royalties accruing for that year.

(c) Each lease shall be for a term of 20 years and so long thereafter as the lessee complies with the terms and conditions of the lease. (§ 3(6) art VIII ch 169 SLA 1959)

Sec. 38.05.180. Oil and gas leasing. (a) The legislature finds that

(1) the people of Alaska have an interest in the development of the state's oil and gas resources to

- (A) maximize the economic and physical recovery of the resources;
- (B) maximize competition among parties seeking to explore and develop the resources;
- (C) maximize use of Alaska's human resources in the development of the resources;

(2) it is in the best interests of the state to encourage an assessment of its oil and gas resources and to allow the maximum flexibility in the methods of issuing leases to

- (A) recognize the many varied geographical regions of the state and the different costs of exploring for oil and gas in these regions;
- (B) minimize the adverse impact of exploration, development, production, and transportation activity.

(b) The commissioner shall annually prepare and submit to the legislature, between the first and the fifteenth day of each regular legislative session, a five-year proposed oil and gas leasing program consisting of a schedule of proposed lease sales and specifying as precisely as practicable the location of tracts proposed to be offered for oil and gas leasing during the calendar year in which the proposed program is submitted to the legislature and the following four calendar years.

(c) Except as provided in (d) and (w) of this section, an oil and gas lease sale may not be held unless it was included in the proposed leasing programs submitted to the legislature during the two calendar

years preceding the year in which the sale is held. A lease sale shall be held during the calendar quarter for which it is scheduled in the proposed oil and gas leasing program but may be delayed by the commissioner for not more than 90 days after the last day of the calendar quarter for which it was scheduled if the commissioner determines that a delay is in the best interest of the state. A lease sale which is not held during the calendar quarter for which it was scheduled in the oil and gas leasing program, or in the following 90-day period authorized by this subsection, may be held only if rescheduled as provided in (b) of this section. A lease sale may not be held before the date it is scheduled in the proposed oil and gas leasing program.

(d) The commissioner may issue oil and gas leases in an area that has not been included in a leasing program submitted, in accordance with (b) of this section, to the legislature if

(1) the land to be leased was previously subject to a valid state or federal oil and gas lease; or

(2) the land to be leased is contiguous to land already under state, federal or private lease and the commissioner makes a written finding, after hearing, that leasing of the land would result in a substantial probability of early evaluation and development of the land to be leased; or

(3) the land to be leased is adjacent to land owned or controlled by another party on which a discovery of commercial quantities of oil or gas has been made, and the commissioner finds, after hearing, that there is a reasonable probability that the land to be leased contains oil or gas in communication with the oil or gas discovered on the land of the other party; or

(4) the land to be leased is adjacent to land included in the federal five-year Outer Continental Shelf leasing program under 43 U.S.C. sec. 1344, and the commissioner makes a written finding, after hearing, that coordinated or simultaneous leasing with the federal government is in the public interest.

(e) Simultaneously with submission of the leasing program required under (b) of this section, the commissioner shall submit to the legislature a report containing the following:

(1) the schedule of all lease sales held during the preceding calendar year, the bidding method or methods utilized, and an analysis of the results of the bidding;

(2) if determined, a description of the bidding methods to be used for all lease sales to be held during the current and next two succeeding calendar years;

(3) the reasons a particular bidding method has been selected.

(f) The commissioner may issue oil and gas leases on state land to the highest responsible qualified bidder determined by competitive bidding under regulations adopted by the commissioner. Bidding may be by sealed bid or according to any other bidding procedure the com-

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Original sponsor: The Senate Special Committee  
on Oil and Gas

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BY THE SENATE SPECIAL  
COMMITTEE ON OIL AND GAS

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FIFTEENTH LEGISLATURE - FIRST SESSION

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27 the public a written finding that sets out the facts and applicable  
28 law upon which the determination that the sale, lease, or other dis-  
29 posal will best serve the interests of the state was based. A written

1 finding is not required before the approval of  
2 (1) a contract for a negotiated sale authorized under  
3 AS 38.05.115;  
4 (2) a lease of land for a shore fishery site under AS 38.-  
5 05.082;  
6 (3) a permit or other authorization revocable by the com-  
7 missioner;  
8 (4) a mineral claim located under AS 38.05.195;  
9 (5) a mineral lease issued under AS 38.05.205; [OR]  
10 (6) a production license issued under AS 38.05.207; or  
11 (7) an oil or gas lease sale under AS 38.05.180(d), if  
12 within 36 months before the lease sale a written finding under this  
13 subsection has been made for the area of the proposed lease sale.

Introduced: 3/12/87  
Referred: Senate Special Committee on  
Oil & Gas, Resources &  
Finance

5-0732A

1 IN THE SENATE

BY THE SENATE SPECIAL  
COMMITTEE ON OIL AND GAS

2

SENATE BILL NO. 182

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

FIFTEENTH LEGISLATURE - FIRST SESSION

5

A BILL

6 For an Act entitled: "An Act relating to state oil and gas lease sales."

7 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

8 \* Section 1. AS 38.05.035(e) is amended to read:

9 (e) Upon a written finding that the interests of the state will  
10 be best served, the director may, with the consent of the commis-  
11 sioner, approve contracts for the sale, lease, or other disposal of  
12 available land, resources, property or interests in them, and, in  
13 addition to the conditions and limitations imposed by law, may impose  
14 additional conditions or limitations in the contracts as the director  
15 determines, with the consent of the commissioner, will best serve the  
16 interests of the state. A contract for the sale, lease, or other  
17 disposal of available land or an interest in land is not legally  
18 binding on the state until the commissioner approves the contract but  
19 if the appraised value is not greater than \$50,000 in the case of the  
20 sale of land or an interest in land, or \$5,000 in the case of the  
21 annual rental of land or interest in land, the director may execute  
22 the contract without the approval of the commissioner. Before a  
23 public hearing, if held, or in any case no less than 21 days before  
24 the sale, lease, or other disposal of available land, property, re-  
25 sources, or interests in them, the director shall make available to  
26 the public a written finding that sets out the facts and applicable  
27 law upon which the determination that the sale, lease, or other dis-  
28 posal will best serve the interests of the state was based. A written  
29 finding is not required before the approval of

- 1                   (1) a contract for a negotiated sale authorized under  
2 AS 38.05.115;
- 3                   (2) a lease of land for a shore fishery site under AS 38.-  
4 05.082;
- 5                   (3) a permit or other authorization revocable by the com-  
6 missioner;
- 7                   (4) a mineral claim located under AS 38.05.195;
- 8                   (5) a mineral lease issued under AS 38.05.205; [OR]
- 9                   (6) a production license issued under AS 38.05.207; or
- 10                   (7) an oil or gas lease sale under AS 38.05.180(d), if  
11 within 36 months before the lease sale a written finding under this  
12 subsection has been made for the area of the proposed lease sale or  
13 for an area that is contiguous with or adjacent to the area of the  
14 proposed lease sale.

# STATE OF ALASKA

## DEPARTMENT OF NATURAL RESOURCES

OFFICE OF THE COMMISSIONER

STEVE COWPER, GOVERNOR

400 WILLOUGHBY AVE.  
JUNEAU, ALASKA 99801-1796  
PHONE: (907) 465-2400

March 24, 1987

The Honorable Bettye Fahrenkamp, Chair  
Senate Special Committee on Oil and Gas  
Alaska State Legislature  
P.O. Box V  
Juneau, AK 99811

Dear Senator Fahrenkamp:

Subject: Senate Bill 182, which would allow the Department of Natural Resources to streamline procedures for exempt acreage oil and gas lease sales.

Position: The Department of Natural Resources supports this bill, with a slight change in wording, because it would promote early exploration of state lands previously leased or adjacent to existing oil and gas leases or discoveries. Early exploration of exempt acreage will result in earlier receipt of lease bonus and rental payments and, in the event of a discovery, earlier receipt of royalties and taxes.

Background: Exempt acreage oil and gas lease sales are allowed under AS 38.05.180(d). To qualify, acreage must have previously been subject to an oil and gas lease, contiguous to land under an oil and gas lease, or adjacent to land where a commercial oil or gas discovery has been made.

Exempt sales need not be listed on the formal five-year leasing schedule presented to the Legislature each January. Exempt sales are requested by the oil and gas industry when a genuine interest in leasing and exploring the area exists.

The department receives at least two or more requests for exempt sales each year. Before an exempt acreage sale can be held, just as for all other state oil and gas lease sales, Division of Oil and Gas staff are required by AS 38.05.035(e) to prepare a written finding that the proposed sale is in the state's best interest.

Since exempt sales are for previously leased acreage or for areas adjacent to leased acreage, written findings for the already leased areas are revised slightly to serve as the

March 24, 1987

exempt acreage sale finding. However, since exempt acreage written findings are prepared by existing staff, they can only be completed as time is available.

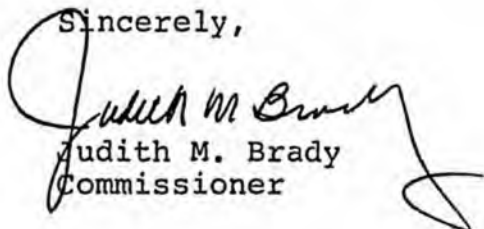
This bill would allow the findings previously prepared for the general sale area, if completed within 36 months of the exempt sale, to meet the best interest finding requirement for the proposed exempt sale.

Recommendation: Delete lines 13 and 14, page 2 and the word "or" at the end of line 12, page 2. This will clarify the intent of the bill.

Conclusion: By streamlining the exempt sale process, additional exempt sales could be offered each year and less time would elapse between the sale request and the sale. Early exploration of exempt acreage land would be encouraged. Public notice requirements would still be in effect, as would all other oil and gas lease sale requirements.

Please let me know if you would like additional information about our oil and gas lease sale process.

Sincerely,

  
Judith M. Brady  
Commissioner

cc: Committee Members  
George Sullivan  
Rod Swope  
Commissioner Collinsworth, DF&G  
Commissioner Kelso, DEC

SENATE COMMITTEE REPORT

FURTHER:

FINANCE

3/25/87

DATE TURNED INTO OFFICE \_\_\_\_\_

Mr. President:

RESOURCES \_\_\_\_\_ Committee considered \_\_\_\_\_ SB 182

state oil and gas lease sales.

and recommended:

replace with CS FOR SB 182 (Re) )  same title  
 or adopt \_\_\_\_\_ CS FOR \_\_\_\_\_ )  new title

attached amendment(s) and

do pass

do not pass

no recommendation

individual recommendations

further referral to \_\_\_\_\_

letter of intent adopted \_\_\_\_\_

Committee  attached or  adopted fiscal note(s)

new  updated or  previous  
 zero  fiscal impact

MEMBERS SIGNING DO PASS

OTHER RECOMMENDATIONS

*Richard*  
*Paul*  
*John*  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

*[Signature]*  
Chairman signature and recommendation

Committee Backup Attached

